



Statement to Mid Sussex District Plan Examination

Our ref 15322/MS/MT
Date 6 January 2017
From Mid Sussex Developer Forum

Subject Updated Position on Full Objectively Assessed Need

1.0 **Introduction**

1.1 Since the last hearing session concluded on Friday 9th December 2016, Mid Sussex District Council (“the Council”) and the Developer Forum (“the Forum”) have undertaken further work, with the aim of seeking common ground on the individual evidential components of objectively assessed needs. The Forum awaits the Council’s new evidence to the Examination – which it has not seen – but, based on a meeting with the Council on 4th January 2017, we understand the Council’s position is likely to be that market signals, economic uplift and affordable housing do not justify further uplifts beyond what it originally proposed.

1.2 The Forum is not tabling substantive new evidence – its position remains as set out in ED8 – but in light of the above, we have provided this Statement to assist the examination by recapitulating the Forum’s overall conclusion on OAN, which is **1,000 dpa for Mid Sussex**, plus addressing **unmet needs of 184dpa from Crawley**.

1.3 We also wish to be clear that the Forum recognises **OAN is just the first step; it does not automatically become the housing requirement for the Plan**. It provides a figure against which to test the capacity of Mid Sussex to accommodate and deliver that need. The ability of the District to meet its full OAN is yet to be considered through a revised SA and assessment of land supply. We have also previously flagged (ED8, para 4.1 sub-point 4) the possibility of a ‘stepped’ trajectory to ensure a higher housing requirement in response to OAN is ‘effective’ **if** the extra sites required cannot come forward until the middle or latter phases of the plan period (although the Developer Forum believes there are sufficient deliverable sites available to not require such an approach in Mid Sussex).

2.0 **Objectively Assessed Needs**

2.1 The following sets out the current position for each of the components of OAN, updating the position as set out in our statement of 7th December 2016 (ED8).

Starting Point

- 2.2 The demographic **starting point of 730dpa is agreed**. This increases to a demographic-led need of **755dpa** once the adjustment to household formation (headship) rates is made. The Forum considers this should be applied as a demographic adjustment as per PPG ID2a-015 rather than market signals (as proposed by the Council, see MSDC2).

Market Signals

- 2.3 There is not agreement between the Council and the Forum on the scale of market signals uplift that should be applied. The Council's position, as understood by the Forum, is that any further uplift is unwarranted and will not have any impact on affordability. We understand the Council will submit new evidence critiquing the NLP work (Appendix A of ED8), but have not seen this so are unable to comment at this stage. To assist the Inspector, we include at Annex 1 an email from NLP in response to questions raised by the Council which amplifies our thinking on this issue. We reserve the right to respond to the Council's new evidence once we have reviewed it.
- 2.4 The Forum continues to consider a 25% uplift is justified as a minimum in line with the PPG (ID: 2a-020 sub-paras 2 and 3) and based on the evidence in our market signals statement (ED8 Appendix A). If applied to the official projections (730 dpa) this means 913 dpa. If applied to projections adjusted for headship rates this means **944 dpa**.

Employment Growth and Alignment

- 2.5 Based on the Forum's Experian job forecast figures, an aligned housing figure of **853-1,101dpa** results (ED8 para 2.5 sub-point 7). Employment growth based on the Council's OE figures (if accepted – they are disputed) would be between 832-893 dpa (424 jpa forecast) and **912-978 dpa** (512 jpa past trends) (ED8 para 2.5 sub-point 6).

Affordable Housing

- 2.6 There is not agreement between the Council and the Forum on the precise scale of affordable housing need and the total housing delivery which would meet it in full given a 30% likely delivery as a proportion of mixed market and affordable housing developments. Even on the Council's own approach and calculation (including committed supply, but adjusting to avoid double counting), using just reasonable preference groups (i.e. a minimum estimate that would exclude many people in need) the Council's net affordable housing need (185 affordable dpa) would be met at total housing delivery of 1,007dpa (see SoCG – Appendix A Briefing Note dated 14th December 2016).
- 2.7 The Forum calculates (ED8 Appendix C) that affordable housing need is between 398 dpa (reasonable preference groups) to 507dpa (total waiting list)

which means at its likely delivery as a proportion of mixed market and affordable housing developments (30%), some **1,327 to 1,690 dpa** would be required to meet affordable needs in full. As per the High Court judgment in King's Lynn¹ addressing these affordable housing needs should have an important influence in increasing the derived OAN.

Overall Full Objectively Assessed of Need in Mid Sussex District

2.8 There is no prescribed calculation for how the above individual components of OAN (which are respectively drawn from different perspective) should be brought together into a single full OAN figure. They form a basket of numerical indicators which provide the evidence base to inform a judgement on the level of OAN in light of demographic projections, market signals, employment alignment and affordable housing need.

2.9 As set out in ED8, the position of the Forum is consistent with the original conclusions of Barton Willmore and NLP: a total OAN figure of **1,000 dpa** is appropriate and justified, and could be reasonably expected to occur based on market factors and levels of development achieved in comparable locations elsewhere (see Appendix 3 to the Forum's original Matters Statement 1/). It is a figure that encompasses market signals uplifts (25% to 913-944dpa), would meet a middling estimate of employment growth alignment (c.850-1,100dpa) and would address affordable housing need by going some way to boost supply to fully meet needs (towards 1,327-1,690dpa).

3.0 **Unmet Needs**

3.1 The residual unmet need from Crawley's OAN is 184 dpa. To meet the full OAN for the housing market area (Mid Sussex, Crawley, Horsham) over the plan period (as required by para 47) and respond to para 182, this figure should be added to the concluded OAN for Mid Sussex.

3.2 The Council has set out the view that the *"needs of Brighton and Crawley are already substantially reflected in the DCLG household projections."* (MSDC3, para 10). The Forum considers this is fundamentally not the case and that this position is illogical, as set out in Annex 2.

¹ Borough Council of Kings Lynn and West Norfolk v Secretary of State for Communities and Local Government and Elm Park Holdings Ltd [2015] EWHC 2464 (Admin)

Annex 1: Email from NLP to MSDC sharing thoughts on Market Signals analysis

Matthew Spry

From: Matthew Spry
Sent: 21 December 2016 10:37
To: 'Chris Tunnell'; Martin Taylor; Andrew Marsh
Cc: 'Charles Collins'
Subject: RE: NLP Spreadsheet Re OBR Affordability Forecasting [NLP-DMS.FID392509]

Dear Chris

Many thanks for this – it is useful to understand the Council’s current thinking. We have had some other commitments over recent days, hence the delay in responding. I thought it would be helpful – and as you have requested - to set out some thoughts in response, for the Council to consider as it comes to its position. We will in due course need to jointly consider how we make appropriate use of the content from this email exchange in seeking to put something before the Inspector – I would be happy to discuss what might be the best approach.

Principle

We presume that Council does continue to accept that a market signals uplift is justified based on the market signals, not least because it advanced such an uplift – previously 10%, now 24dpa – in its own evidence on OAN. In MSDC1 (page 6) the Council accepted the principle of the University of Reading approach. You also state in your email that you don't disagree with the need to address affordability.

If that principle is accepted, the question then posed is whether the Council’s proposed 24dpa scale of uplift is consistent with the guidance in the PPG, namely, to be set at a level that *“could reasonably be expected to improve affordability”*. The Developer Forum would suggest that the 24dpa would not be sufficient to achieve this – there is no evidence before the examination to suggest it would have that kind of effect (and indeed, based on the view in your email - which is that even larger uplifts would not have the desired effect - you presumably don't think it would either). The Inspector’s preliminary thoughts – expressed orally at the Examination hearing – is that he agrees 24dpa would not be sufficient. In light of the above, the exam question posed by the Inspector is to identify what greater scale of uplift would reasonably be expected to improve affordability in light of the PPG as part of OAN. That was the focus of our paper.

It is worth re-emphasising in this regard that we are only considering OAN here – not the ability of Mid Sussex to meet that need, and the PPG is clear (ID: 2a-004) that constraints should not be a factor within the assessment of need.

Overall Approach

Our view is that you have to preface consideration of any individual approach to market signals with the terms set out in the Planning Practice Guidance for assessing needs and market signals. Namely that it is *“not an exact science ... [with] a definitive answer”* (2a-014) and that any assessment of needs should be proportionate (ID2a-005). On market signals the PPG is clear that *“plan makers should not attempt to estimate the precise impact of an increase in housing supply. Rather, they should increase planned supply by an amount that... could be expected to improve affordability, and monitor the response of the market over the plan period.”* (ID2a-020).

It is in the context of the above that our market signals paper did not focus on just one approach (ie the ‘OBR method’ on which you have focused your comments), but many, at both local and national scales, drawing on the literature and the PPG. A lot of the literature focuses upon considering national and regional approaches, but these obviously need to be manifest through local housing requirements. The Council has elected to advance its OAN evidence on a district-basis rather than across the whole HMA. And the impact of supply on prices can extend beyond individual local markets and straddle HMAs (see the Bramley paper) so one needs to consider supply responses beyond the immediate locality. The PPG applies to all plan-making bodies across England; therefore all other things being equal (i.e. other areas also applying national policy, but with some having more capacity than

others to meet needs), market signals increases will boost supply at a regional/national level beyond those implied by the household projections and this will in combination have the necessary effects. We accept that there has been patchy performance in initial post-NPPF plans in response to this agenda, but many of these Plans already need to be reviewed (in some cases due to inadequacies of their OAN evidence), and there is emerging consensus in the new generation of SHMAs across the South of England that more substantive uplifts are justified – we included examples in our paper.

As the regional/national position is just a sum total of Local Policies under the current system, it is incumbent on each Local Plan to respond to the guidance in the PPG; if each area took the approach you set out below (ie that elasticities are closer to zero in the South East given unmet needs, and therefore make no/limited adjustment) the problem of affordability simply persists at a regional scale and the Government's policy aspirations are not met. This point was considered by the Inspector at an appeal in Nottinghamshire (APP/B3030/W/15/3006252) where the Council's SHMA put forward a small (8dph) market signals uplift based on headship rate adjustments (similar to the Council's suggested 24dph for Mid Sussex) and the Council then advanced a similar argument to what I understand yours to be here. The Inspector concluded that:

"I recognise that house prices are affected by macroeconomic issues and the housing market in N&S does not operate in isolation. Nonetheless, this does not justify making only a very limited adjustment to the supply within N&S. If such an approach were followed more widely, then broader issues regarding affordability would remain unresolved. "

In this regard, would it be fair to say that MSDC's criticisms in respect of market signals are more aimed at the principle of Government's policy/guidance (and the absence of a regional planning context in which it is applied)? Whether or not you are correct on that point, the PPG is clear in the approach that the Government advocates to implement the NPPF. In our view, to adopt a different approach is to accept a 'counsel of despair', which is not consistent with how the NPPF seeks sustainable development to be pursued (para 9) or its Core planning principles (para 17).

Economically - and as narrowly defined - we understand the thrust of where you are coming from in respect of your specific points, but consider overall they are too narrowly focussed given the PPG, and the 'solutions' necessary to arrive at a precise 'answer' would go beyond what would be a proportionate assessment for the Council to undertake in setting an OAN for this Plan even if it was possible for them to be generated.

The PPG is not prescriptive on the reference case to use for determining what is *"expected to improve affordability"*. But we presume it is common ground between us that - all other things being equal – an increase in supply in response to market signals *will* deliver better affordability (and overall housing) outcomes than a reference case of no uplift being made?

In that respect (and as you state it is okay as an academic reference case) our view is that adopting the 'OBR method' (as one of many approaches) is proportionate and responds to the PPG, and provides an illustration of how 800dpa would result in continued worsening affordability in Mid Sussex. It shows that increases above this reference case would ameliorate the scale of that worsening trend, with the calculation providing an *indication* of the scale of uplift that could be expected to improve the absolute level of affordability from its current state (recognising the PPG – ID2a-020 - acknowledges that market signals are affected by a range of economic factors and states *"plan makers should not attempt to estimate the precise impact of an increase in housing supply"*). It should then be seen in the context of the other approaches set out in the Paper.

Specific Questions

In respect of your other specific questions:

- The elasticities only apply to a proportion of price change beyond OBR assumptions as we are using the OBR model as the base case forecast and it already has assumptions embedded within it in respect of price change. Applying the UoR elasticities to the base case forecast too would be to double count within that element;
- The elasticities do apply in a linear fashion rather than on a curve. It is a recognised limitation of the modelling exercise (and also of the background literature insofar as its elasticity assumptions are available

for us to apply locally), but it is one we consider remains proportionate given the clear caveats and guidance within the PPG, and that this approach is not the only one in our paper upon which we rely to arrive at the concluded 25%. We agree that, in theory, bigger increases in supply would suggest larger improvements in affordability – something which itself supports making a larger uplift (ie 25%) in Mid Sussex rather than, say, 3% or 10%;

- In terms of short and long term, the ‘OBR method’ modelling is using a mixture of short and long term OBR forecasts hence the various periods applied. Clearly, increase in supply will be necessary over a longer term to secure sustained improvements in affordability, but the PPG is also clear that, having made the uplift, what should then be done is to monitor it over the Plan period (see PPG ID: 2a-020). In the context of a plan-review at least every five years (PPG ID: 12-008), it would be expected to consider matters regularly; and
- On market adjustments that would actually occur in reality and a more dynamic modelling technique, any economic modelling in this area would have to be on a *ceteris paribus* basis; there are simply too many variables and externalities that would need to be captured otherwise (for example, to re-create or apply the model advocated in the Bramley paper). Again, such an approach is simply not necessary or warranted given Government’s guidance on market signals and OAN overall within the PPG.

A lot of the focus of our email debate has been in respect of the ‘OBR method’ we included in our paper. But we emphasise it is worth reflecting on all the approaches set out – not least that relating to past delivery rates which has its own specific provision in the PPG at ID 2a-019, which states that: “*If the historic rate of development shows that actual supply falls below planned supply, future supply should be increased to reflect the likelihood of under-delivery of a plan.*” It is the whole basket of indicators that supports our concluded approach of 25%.

You make the point about policies for affordable housing and type and their role in addressing affordability. The Council may well wish to look at this (and it is part of both Bramley and Barker’s approach), but a clear dimension of that approach would be to maximise its affordable housing provision, and in this regard there is an important alignment with the other outstanding part of the OAN debate on the affordable housing uplift: An increase above 800 dpa would also result in an increase in affordable housing supply towards a level that would meet that affordable housings need at the likely percentage of delivery. But in any event, the specific question being posed by the PPG and the Inspector here is to determine the appropriate scale of market signals uplift that could reasonably be expected to improve affordability. That can then be considered alongside employment uplift and affordable housing needs to conclude upon overall OAN for the District.

Conclusions

We hope the above is helpful. The Council is of course open to bring its own evidence on what % uplift it considers would reasonably be expected to achieve the NPPF objectives (albeit we continue to consider that the Developer Forum’s paper is more than sufficient to place weight upon in light of the PPG) and we would be happy to review/have sight of that to provide our thoughts if helpful.

Happy to discuss these matters further before or after Christmas, conscious of the deadline for providing any new evidence to the Examination. It would also be helpful to understand the Council’s position in response to the affordable housing calculation (e.g. on committed supply) pursuant to our note supplied last week.

If we don’t speak beforehand, I hope you and the Mid-Sussex team have a good break over Christmas and New Year.

Kind regards,

Matthew

Matthew Spry
Senior Director

Nathaniel Lichfield & Partners, 14 Regent's Wharf, All Saints Street, London N1 9RL
T 020 7837 4477 / M 07917 083820 / E mspry@nlppanning.com

nlppanning.com

Annex 2: Unmet Needs already captured in the Mid Sussex OAN

- A1. The Council has previously set out the view that the *“needs of Brighton and Crawley are already substantially reflected in the DCLG household projections. This is because moves from Brighton and Crawley are an established part of housing demand in Mid Sussex”* (MSDC3, page 35, para 29). This would seek to suggest the scale of unmet needs to be considered by Mid Sussex should be reduced accordingly.
- A2. The Forum understands this statement is made based on the principle that, in some way, the trends that have fed into the 2014-based household projections (driving the ‘starting point’ for OAN in the district) are already reflecting years of trend of unmet needs emanating from Brighton and Crawley being met in Mid Sussex. The implication is that the unmet needs of Crawley (184 dpa) would now be lower and that were an updated assessment of needs to be undertaken in Brighton and/or Crawley on a comparable basis as with Mid Sussex (using the 2014-based projections), the scale of OAN in those areas would be reduced as migration trends had already shifted towards Mid Sussex, and thus be captured in Mid Sussex’s OAN. The Council’s position is based on the perception that Brighton and Crawley have under-delivered housing in recent years, during a period where Mid Sussex has increased supply, with households moving from those areas to Mid Sussex.
- A3. The official household projections are based upon the underlying official sub-national population projections, which embed internal-UK migration assumptions based on a five-year trend; they do include trend-based assumptions about migration between Mid Sussex and Brighton and Crawley. In order for the Council’s view that the identified unmet needs are already reflected in the projections to hold true (and thus that the scale of unmet need for which Mid Sussex might need to address in this plan would fall), the 2014-based projections for Brighton and Crawley would have had to have seen a similar reduction in needs based on the more recent projections (compared to the 2012-based projections on which both Brighton and Crawley based their SHMAs), corresponding with the increase in Mid Sussex.
- A4. Further, it is worth noting that there are only two years of trend data (between 2012-2014) that were not already accounted for in Crawley and Brighton’s OAN (which was based on the 2012-based projections). So of the five years in which supply *“tightened”* (MSDC3, page 35, para 28) to support the contention that *“moves from Brighton and Crawley are an established part of housing demand in Mid Sussex”* (MSDC3, page 35 para 29) three years were in any event reflected in the OAN estimates for Crawley and Brighton that have generated the current (agreed) estimates of unmet need.
- A5. Most significantly, however, Table 1 below shows that the household projections have not changed substantially between the 2012-based iteration and the 2014-based iteration.

Table 1 Comparison of SHMA household projections used and the 2014 based DCLG household projections

Local Authority	SHMA	SHMA demographic baseline	2012 based Household Projections	2014 based Household Projections
Brighton & Hove	Objectively Assessed Need for Housing: Brighton & Hove (June 2015)	2012-based household projections	1,284 households per annum (2014-2030)	1,282 households per annum (2014-2030)
Crawley	Objective Assessment of Crawley's Housing and Employment Needs (March 2015)	2012-based household projections	582 households per annum (2015-2030)	579 households per annum (2015-2030)

Source: NLP Analysis

- A6. As such, were Brighton & Hove and/or Crawley to update their OAN evidence today on the same basis as they did for their adopted Plans but using the same household projections as Mid Sussex, they would still be concluding that the OAN for those areas remains unchanged and therefore that the level of unmet needs remains the same. Those needs have not - on the face of the evidence in the projections - moved from those areas to be captured within Mid Sussex's projections². Even if it was concluded that they had, other factors have sustained the need in those locations to the effect of sustaining the scale of unmet need for which Mid Sussex might need to plan. The best available estimate for unmet needs from Crawley therefore remains 184 dpa.
- A7. Nor is there a case (beyond in the most abstract sense) for assuming this has any tangible overlap to any market signals uplift in Mid Sussex (not least in terms of general issues of proportionality of evidence on OAN summarised in Annex 1 of this Statement). The market signals uplift for Mid Sussex is to address affordability issues in Mid Sussex by providing extra supply compared to household growth derived from the 2014-based projections for the District. Any addition of supply in Mid Sussex to address unmet needs from Crawley (within the same HMA) would not improve affordability in Mid Sussex as it is simply adding demand (and households) to Mid Sussex that cannot be accommodated in Crawley itself. They should be kept separate. To do otherwise would double-count the role of that extra supply.

² Bearing in mind that, in any event, we are only dealing with two-years of migration trend between the respective sets of projections (the 2012-based used for Brighton and Crawley; and the 2014-based used for Mid Sussex).